Dubai International Financial Centre

Single Family Office Regulations

(SFO Regulations)

Consolidated Version No. 2
In force as of 27 December 2011
DIFC: Family Office Project

Single Family Office Regulations

The Board of Directors of DIFCA, in the exercise of the powers conferred on them by Article 140 of the Companies Law, hereby make these Regulations.

SFO 1 Introduction

SFO 1.1 Application

These SFO Regulations apply to:

(a) every Person who falls within the definition of a Single Family Office;

(b) persons applying for the registration of a company or partnership to act as a Single Family Office or Private Trust Company; or

(c) the Registrar.

1.2 Defined terms are identified throughout these Regulations by the capitalisation of the initial letter of a word or phrase. Where capitalisation of the initial letter is not used, an expression has its natural meaning.

1.3 The following defined terms have the meaning given below:

<table>
<thead>
<tr>
<th>Defined Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorised Representative</td>
<td>Has the meaning given in SFO Regulation 3.2</td>
</tr>
<tr>
<td>DIFCA</td>
<td>The Dubai International Financial Centre Authority.</td>
</tr>
<tr>
<td>Family Business</td>
<td>Has the meaning given in SFO Regulation 2.4.4.</td>
</tr>
<tr>
<td>Family Entity</td>
<td>Has the meaning given in SFO Regulation 2.4.3</td>
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<tr>
<td>Family Fiduciary Structure</td>
<td>Has the meaning given in SFO Regulation 2.4.2.</td>
</tr>
<tr>
<td>Family Member</td>
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<tr>
<td>Identification Data</td>
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<tr>
<td>Information Notice</td>
<td>Has the meaning given in SFO Regulation 4.5(b)</td>
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<tr>
<td>Politically Exposed Persons</td>
<td>Has the meaning given in DIFCA Non Financial Anti Money Laundering/</td>
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<tr>
<td>Defined Term</td>
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<td>--------------------------------------------------</td>
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<tr>
<td>AntiTerrorist Financing Regulations under the definition “PEP”.</td>
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<tr>
<td>Registrar</td>
<td>Means the DIFC Registrar of Companies.</td>
</tr>
<tr>
<td>Private Trust Company</td>
<td>Has the meaning given in the DFSA Glossary/Module.</td>
</tr>
<tr>
<td>Regulated Firm</td>
<td>Means any Person listed in Appendix 2 to these SFO Regulations.</td>
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<td>SFO Regulations</td>
<td>Means these Regulations.</td>
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<tr>
<td>SFO Annual Return</td>
<td>Has the meaning given in SFO Regulation 3.3.</td>
</tr>
<tr>
<td>Single Family</td>
<td>Has the meaning given in SFO Regulation 2.3.1.</td>
</tr>
<tr>
<td>SFO or Single Family Office</td>
<td>Has the meaning given in SFO Regulation 2.1.</td>
</tr>
<tr>
<td>Single Family Office Client</td>
<td>Means any person to whom a Single Family Office provides services</td>
</tr>
</tbody>
</table>
SFO 2 Single Family Office

SFO 2.1 Application

Single Family Office means any Body Corporate or Partnership established within the DIFC providing services only to a Single Family. A Single Family must have minimum investable/liquid assets of US$10 million. For the purpose of determining investable/liquid assets, only those assets which are realisable in a 180 day period should be considered.

SFO 2.2 Guidance

A Single Family Office may charge for the provision of services to the Single Family on a cost basis or a profit basis.

SFO 2.3 Single Family

SFO 2.3.1

A family constitutes a Single Family either where it comprises one individual or a group of individuals all of whom are the bloodline descendants of a common ancestor or their spouses (including widows and widowers, whether or not remarried); or subject to such other limitations or conditions otherwise agreed with the Registrar.

SFO 2.3.2

For the purposes of determining a Single Family common ancestor under SFO Regulation 2.3.1, an applicant may only have regard to the preceding three direct generations of the family in question. This Regulation will only apply in relation to the initial SFO application and a determination of a qualifying Single Family as at the date of the application.

SFO 2.3.3

In relation to a Single Family, a Family Member means an individual forming part of the group of individuals comprising the Single Family.

SFO 2.3.4

For the avoidance of doubt it is envisaged that both male and female members of a family will be included in the Single Family and that individuals adopted as minors, step children, children of adopted children and illegitimate children of a qualifying family member shall also be regarded as members of the Single Family.

If there is any uncertainty as to whether a family constitutes a Single Family or whether an individual is a
Family Member of a particular Single Family, the Registrar will determine the issue in its absolute discretion and may require such supporting documentation as it considers appropriate.

SFO 2.4 Scope of services

**SFO 2.4.1 Provision of services to a Single Family**

The provision of services to a Single Family means:

(a) the provision of services to one or more Family Members;

(b) the provision of services to a Family Fiduciary Structure;

(c) the provision of services to a Family Entity; or

(d) the provision of services to a Family Business

**SFO 2.4.2 Family Fiduciary Structure**

In relation to a Single Family, a Family Fiduciary Structure means a trust or other similar entity (such as a foundation):

(a) of which a Family Member of a Single Family or a Family Entity related to the Single Family is the settler or founder; and;

(b) the beneficiaries of which, or persons otherwise capable of benefitting from which, are all:

   (i) Family Members;

   (ii) charities;

   (iii) Family Entities; or

   (iv) other Family Fiduciary Structures related to the Single Family

**SFO 2.4.3 Family Entity**

In relation to a Single Family, a Family Entity means an entity such as a Body Corporate or Partnership controlled by a Single Family within the meaning of SFO Regulation 2.4.5.

**SFO 2.4.4 Family Business**

In relation to a Single Family, a Family Business means a business whether a Body Corporate or Partnership controlled by a Single Family within the meaning of SFO Regulation 2.4.5.
SFO 2.4.5 Control

A Family Entity or a Family Business is controlled for the purposes of SFO Regulation 2.4.3 or SFO Regulation 2.4.4 if any of the following, acting alone or together, could exercise at least 75% of the voting control, or are otherwise able to exercise direct or indirect control over the affairs of the Family Entity or a Family Business (having the right to appoint or remove the equivalent of 75% of the board of directors or managers of the entity in question):

(a) one or more Family Members; or

(b) one or more Family Fiduciary Structures’ or

(c) one or more Family Entities; or

(d) by a combination of any of them.

SFO 2.5 Non DIFC entities

SFO 2.5.1 Application

The Single Family Office or personnel of the Single Family Office may act as directors of Family Fiduciary Structures, Family Entities, Family Businesses or Private Trust Companies established outside the DIFC and/or the management and control of such entities may take place in or from the DIFC.

SFO 2.5.2 Guidance

It is envisaged that management and control of such entities will take place in the DIFC either as a result of the Single Family Office or the Single Family Office personnel acting as directors and taking decisions in the DIFC or as a result of the Single Family Office premises being used for meetings by the non DIFC entity in question.
SFO 3 Setting up a Single Family Office in the DIFC

SFO 3.1 Application to establish a Single Family Office

SFO 3.1.1

An applicant wishing to be licensed to establish a Single Family Office in the DIFC will be required to demonstrate to the Registrar that the Single Family Office will provide services only to a Single Family.

SFO 3.1.2

An application to be licensed to establish a Single Family Office as a Body Corporate or Partnership in the DIFC must be made to the Registrar on the appropriate forms prescribed by the Registrar and be accompanied by a letter from a Regulated Firm complying with the requirements set out in Appendix 1 to these Regulations. The application to establish a Single Family Office must be accompanied by a statement containing the information set out at paragraph A1.1 of Appendix 1.

SFO 3.1.3

When the Registrar is considering an application for permission to establish a Single Family Office the Registrar will consider any matter which may harm or may have harmed the integrity or the reputation of the DIFC. The Registrar may in its absolute discretion refuse to grant an application for a licence to establish a Single Family Office or for an extension to any existing Single Family Office.

SFO 3.1.4

Upon refusing to grant permission to establish a Single Family Office or an extension to any existing Single Family Office, the Registrar shall without undue delay inform the applicant in writing of such refusal.

SFO 3.1.5

Upon deciding to grant a licence to establish a Single Family Office or an extension to an existing Single Family Office, the Registrar shall without undue delay inform the relevant applicant in writing of:

(a) such decision;

(b) the date on which the initial licence or licence extension shall be deemed to take effect; and

(c) any conditions and restrictions applicable to the licence.

SFO 3.2 Authorised Representative

(a) Each Single Family Office must designate an Authorised Representative.

(b) It must do so by completing and filing with the Registrar the appropriate form.
(c) The Authorised Representative shall be the point of contact between the Registrar and the Single Family Office.

(d) The Authorised Representative must be ordinarily resident in the U.A.E.

(e) If the Authorised Representative leaves the employment of the Single Family Office or otherwise ceases to act as Authorised Representative, the Single Family Office must designate a successor and notify the Registrar by completing and filing with the Registrar the appropriate form within 28 days.

(f) The Single Family Office must ensure that its Authorised Representative is of sufficient seniority within the Single Family Office to enable him to:

(i) act on his own authority;

(ii) have direct access to senior management of the Single Family Office;

(iii) have access to sufficient resources to fulfill his responsibilities; and

(iv) have unrestricted access to information the Single Family Office has about its Single Family Office Clients.

**SFO 3.3 SFO Annual Returns**

The Authorised Representative will be responsible for filing an SFO Annual Return with the Registrar on behalf of the Single Family Office confirming that it continues to provide services only to that Single Family and containing the information set out at paragraph A1.3 of Appendix 1. The SFO Annual Return shall be filed by the end of March in every year after the year in which the Single Family Office is established.

**SFO 3.4 Variation or withdrawal of licence**

**SFO 3.4.1**

The Registrar may revoke, suspend, or vary the terms of, the licence for a Body Corporate or Partnership to continue as a Single Family Office

**SFO 3.4.2**

Upon deciding to exercise its powers under SFO Regulation 3.4.1 the Registrar shall without delay inform the Single Family Office in writing of:

(a) such decision; and
the date on which the decision shall be deemed to take effect (not being a date earlier than that of
the notice).

SFO 3.4.3

The Registrar may exercise the power set out in SFO Regulation 3.4.1 on its own initiative if:

(a) it is satisfied that the Single Family Office or its employees, officers or agents has breached, or is
breaching, any DIFC laws, rules or regulations; or

(b) the Registrar considers that the exercise of the power is necessary or desirable in pursuit of the
DIFC’s objectives;

and it has given the Single Family Office a suitable opportunity to make representations in person and in
writing to the Registrar in relation to the proposed action.

SFO 3.4.4

The opportunity to make representation by the Single Family Office under SFO Regulation 3.4.3 does not
apply if the Registrar concludes that any delay likely to arise as a result of such requirement is prejudicial
to the interests of the DIFC and notwithstanding that a notice has been given to the Single Family Office
pursuant to SFO Regulation 3.4.2.
SFO 4 Responsibilities of the Authorised Representative

SFO 4.1 Role of Authorised Representative

The Single Family Office must ensure that its Authorised Representative is responsible for:

(a) obtaining and keeping appropriate records to substantiate the fact that the Single Family Office is providing services only to a Single Family in accordance with SFO Regulation 2.4; and

(b) responding promptly to any request for information made by competent U.A.E. authorities or the Registrar.

SFO 4.3 Due diligence measures

(a) The Authorised Representative must properly identify Single Family Office Clients and maintain identification records on a risk-sensitive basis. Depending on the outcome of the risk assessment by the Authorised Representative, he should decide to what level of detail the identification and verification process will need to be performed.

(b) The Authorised Representative shall implement the above due diligence measures as follows:

(i) in the case of individuals, identifying individuals on a risk-sensitive basis using Identification Data being reliable, independent source documents, data or information;

(ii) in the case of a trust or other similar entity, the Authorised Representative must take reasonable measures to obtain information enabling him to understand the legal and beneficial ownership and control of the trust or entity;

(iii) in the case of other entities, the Authorised Representative must take reasonable measures to understand the legal and beneficial ownership and control of the entity concerned; and

(iv) in the case of businesses, the Authorised Representative must take reasonable measures to understand the legal and beneficial ownership and control of the Family Business.

SFO 4.4 Guidance

(a) The Authorised Representative need not obtain Identification Data in relation to every Single Family Office Client who is an individual but in order to understand issues of legal and beneficial ownership and control and in order to comply with the requirement to submit an SFO Annual Return should consider (on a risk-sensitive basis) whether it is appropriate to obtain identification records in relation to any Single Family Office Client who:

(i) is a settlor in relation to any fiduciary structure;
(ii) acts as trustee, protector or enforcer of, or holds any fiduciary power in relation to, any trust or other similar entity or holds power to appoint or remove any trustee, protector or enforcer;

(iii) is a director or alternate director of any Body Corporate which acts as trustee, protector or enforcer of, or holds any fiduciary powers in relation to, any trust or other similar entity;

(iv) holds any power of appointment (whether general or special) or power of revocation or direction over the assets (or the income thereof) of a trust or other similar entity;

(v) receives a benefit from, as a beneficiary of, any trust or other similar entity;

(vi) is a director or alternate director or partner of, or otherwise controls, any entity or business; or

(vii) is a Politically Exposed Person.

(b) In relation to any Single Family Office Client which is a trust or other similar entity, any other entity or business, the Authorised Representative should obtain sufficient information to enable him to understand its legal and beneficial ownership and control and how it relates to the Single Family. This may require the Authorised Representative to obtain Identification Data about individuals who fall within the categories set out in SFO Regulation 4.4 (b) (i) to (vii) above.

**SFO 4.5 Power to require information**

(a) The Registrar may, by notice to the Authorised Representative or the Single Family Office, require the Authorised Representative or the Single Family Office to provide such information as is specified in the notice or such other information the Registrar deems appropriate.

(b) In this SFO Regulation 4.5, a notice given pursuant to SFO Regulation 4.5(a) is referred to as an Information Notice.

(c) The Registrar may exercise powers under this SFO Regulation 4.5 if the Registrar has reasonable grounds to suspect that the Single Family Office has breached, or is breaching, its obligations under these Regulations and the information sought to be obtained as a result is reasonably required to enable the Registrar to determine whether the Single Family Office has in fact breached, or is breaching, its obligations under these Regulations.

(d) Where the Registrar requires information to be provided or produced pursuant to SFO Regulation 4.5(a):

(i) the Information Notice must set out the reasons why the Registrar requires the
information to be provided or produced; and

(ii) such information must be provided or produced before the end of such reasonable period as shall be specified in the Information Notice and at such place as may be specified.
Appendix 1 Application to establish a Single Family Office

A1.1 Initial application

An applicant wishing to establish a Single Family Office as a Body Corporate or Partnership in the DIFC must comply with the formalities for incorporation, formation and registration set out in the Companies Law DIFC Law No.3 of 2006, the Limited Liability Partnership Law DIFC Law No.5 of 2004, the General Partnership Law DIFC Law No. 11 of 2004 or the Limited Partnership Law DIFC Law No.4 of 2006, as appropriate.

The application shall be made on the form prescribed by the Registrar and shall contain sufficient information to satisfy the Registrar that the Single Family Office will qualify as a Single Family Office as defined in SFO Regulation 2.3.

The application must be accompanied by a statement containing the following particulars signed by or on behalf of the Applicant:

(a) the name of the common ancestor in relation to the Single Family;

(b) a short explanation as to the source of the wealth of the Single Family;

(c) explanation as to who controls the Single Family Office;

(d) explanation of the legal and beneficial owner of the Single Family Office;

(e) confirmation of the total number of Family Members to be served by the Single Family Office, being one of the following:
   • 1-9;
   • 10-24;
   • 25-49;
   • 50-99; or
   • 100+

(f) confirmation as to whether any Single Family Office Clients are Politically Exposed Persons;

(g) the categories of services to be provided by the Single Family Office, namely:

1 It should be noted that where the Single Family comprises 100+ members additional information may be required.
2 The Registrar may request additional information in relation to any Politically Exposed Persons.
(i) investment;
(ii) fiduciary;
(iii) accounting;
(iv) philanthropic;
(v) concierge;
(vi) governance; and
(vii) other;
(j) Identification Data in relation to the Authorised Representative; and
(k) confirmation that the Single Family Office Clients are aware that the Single Family Office is not regulated by the DFSA.

A1.2 Letter from a Regulated Firm

The application should be accompanied by a letter from a Regulated Firm confirming the following:

(a) that to the best of its knowledge and belief, the family in question constitutes a Single Family;

(b) that to the best of its knowledge and belief, the Single Family in question has investable/liquid assets in excess of US$10million;

(c) that to the best of its knowledge and belief, the Single Family Office is ultimately beneficially owned by one or more members of the Single Family, one or more Family Fiduciary Structures or one or more Family Entities or a combination of any of them;

(d) that it has carried out appropriate due diligence to identify the legal and beneficial owner of the Single Family Office and the persons who control the Single Family Office; and

(e) that it has carried out appropriate due diligence to identify the common ancestor identified by the applicant in its application or has carried out appropriate due diligence to identify at least one of the most senior descendants of the common ancestor willing to sponsor the application to establish a Single Family Office.

A1.3 SFO Annual Return

The SFO Annual Return which the Authorised Representative is required to file in accordance with SFO Regulation 3.3 shall confirm that there have been no material changes in the operation of the Single Family Office since its establishment or since the last SFO Annual Return; and shall contain the following:
(a) confirmation that the Single Family Office continues to provide services solely to a Single Family;

(b) confirmation that there has been no material change in the legal and beneficial ownership of the Single Family Office; or where there has been such a change an explanation as to the legal and beneficial ownership of the Single Family Office and an explanation of who controls the Single Family Office;

(c) confirmation that the total number of Family Members to be served by the Single Family Office has not changed or, where it has, provide details of the change;

(d) confirmation as to whether any Single Family Office Clients are Politically Exposed Persons;

(e) confirmation that the categories of services to be provided by the Single Family Office have not changed or, where they have, provide details of the change;

(f) confirmation that the Single Family Office Clients are aware that the Single Family Office is not regulated by the DFSA; and

(g) confirmation that the Single Family Office is able to satisfy its liabilities as they fall due and the Single Family continues to maintain investable/liquid assets in excess of US$10 million.

Where there has been any material change as identified above, the SFO Annual Return should be accompanied by a letter from a Regulated Firm confirming the following:

(a) that to the best of its knowledge and belief, the family in question still constitutes a Single Family;

(b) that to the best of its knowledge and belief, the Single Family Office is ultimately still beneficially owned by one or more members of the Single Family, one or more Family Fiduciary Structures or one or more Family Entities or a combination of any of them; and

(c) where appropriate, confirmation that it has carried out appropriate due diligence to identify the new legal and beneficial owner of the Single Family Office and the persons who now control the Single Family Office.

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3 The DIFC Registrar of Companies may request additional information in relation to any Politically Exposed Persons.
Appendix 2 - Regulated Firm

List of those Persons who qualify to be published by the Registrar of Companies from time to time